



SENATE EDUCATION

EXHIBIT NO. 2

DATE 1/21/13

BILL NO. 3B 42

January 21, 2013

To: Senate Education Committee

From: Denise Juneau, Superintendent of Public Instruction

Subject: Testimony for Senate Bill 42

Good afternoon. I am State Superintendent of Public Instruction Denise Juneau.

Today, with Senator Driscoll's help, I am bringing forward a proposal to:

1. Provide an inflationary increase in the basic and per-ANB entitlements for of 0.89% in FY 2014 and 2.08% in FY 2015
2. Change the basic entitlement payment provided to "districts" to a basic entitlement payment to a "school program"
3. Provide a slight increase in the amount of funding in several of the school funding components – Indian Education for All, Indian Student Achievement Gap, and Quality Educator – these funding components have not seen any increases since they were created in 2005
4. Provide a better mechanism for schools to receive funding relief when they experience enrollment growth

The first change this bill makes is to increase the basic and per-ANB entitlements by the inflationary factors that are built-in to the school funding formula. These factors are calculated by my office in accordance with Section 20-9-326, MCA. The Governor is required to propose a "present law budget" that includes these inflation factors. For FY 2014, the inflation rate is 0.89%, and for FY 2015, the inflation rate is 2.08%.

The second change this bill makes is to change the basic entitlement payment provided to "districts" to a basic entitlement payment to a "school program". As Sen. Driscoll pointed out, it provides a "fairness" element to our school funding system.

The Basic Entitlement is an amount of money that is distributed to districts – think of it like a brick – right now, under our current system, one brick is given to the Shepherd school district and one brick is given to the Billings school district. One brick given to each even though the Shepherd district has one K-6 facility and Billings has 22 K-6 facilities. A more "fair" approach is to provide Shepherd with one brick and Billings with 22 bricks. That is what this bill does – it's simple and fair. It holds all districts harmless because every

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district still maintains its basic entitlement brick, but provides those schools with more schools and students a few more dollars to address their needs. The cost of this portion of our proposal is \$6.7 million.

The next change this bill makes is to apply the inflationary increases to the newer school funding components – Indian Education for All, American Indian Student Achievement Gap, and Quality Educator. The Indian Education for All payment and the American Indian Achievement Gap payment have not been increased since they were created in 2005. The Quality Educator payment was last increased in 2008.

And, as you know, we have built-in inflators for the basic and per-ANB entitlements – so the amount of money appropriated in the basic entitlement and the per-ANB payments increase each session. However, other school funding components have remained stagnant.

- This bill is requesting that the Indian Education for All payment be increased by sixty cents - from \$20.40 per student to \$21 per student (\$198,000).
- That the American Indian Student Achievement Gap Payment be increased from its current \$200 per American Indian student to \$202 for FY 2014 and \$206 thereafter. (\$150,000)
- That the Quality Educator payment be increased from its current \$3042 per FTE to \$3069 per FTE in FY 2014 and \$3133 thereafter. (\$1,437,000)

If these components are to remain a viable and integral part of our school funding system, they should be treated as such. Providing these small increases to these newer components is a good beginning to ensuring the legislature's emphasis on their importance to our education system.

Finally, this bill provides a better mechanism for schools to receive funding relief when they experience unusual enrollment increase in any given year. Right now, a school district must see an increase of six percent to receive additional funding to provide services to those additional students. However, as you heard Sen. Driscoll explain – 6% growth to a district with 10,000 students means an additional 600 students. While 6% growth to a district with 100 means an additional 6 students. An increase of 600 students is enough to fill two new elementary schools and yet we expect districts to absorb the additional costs.

This bill adds a second trigger - 6% growth OR 40 students. Again, this bill – by providing this second trigger for an unusual enrollment increase - is about fairness in our school funding system.

I urge your support of this school funding proposal.

Thank you.

SB 42 provides a basic entitlement for each school elementary, middle and high school program. Only a small percentage of school districts in the state are not already receiving a basic entitlement for each one of their programs.

By providing a basic entitlement for each elementary school program, 50 districts with more than one elementary program will receive additional funding. In other words, there are only 50 districts (17%) that aren't already receiving a basic entitlement for each elementary program. There are 182 schools in these 50 districts. These districts would collectively gain \$3.14 million in general fund budget authority in FY 2014 and \$3.2 million in general fund budget authority in FY 2015 under SB 25.

Number of Elementary Schools in District	Number of Districts	Total Number of Elementary Schools	Increase in GF Budget Authority FY 2014	Increase in GF Budget Authority FY 2015
1	259	259	0	0
2	29	58	690,287	704,642
3	10	30	476,060	485,960
4	3	12	214,227	218,682
5	1	5	95,212	97,192
6	1	6	119,015	121,490
7	2	14	285,636	291,576
8	0	0	0	0
9	1	9	190,424	194,384
10	0	0	0	0
11	1	11	238,030	242,980
15	1	15	333,242	340,172
22	1	22	499,863	510,258
	309	441	3,141,996	3,207,336

By providing a basic entitlement for each middle school or 7/8 program, 5 districts with more than one middle school program will receive additional funding. There are 13 middle schools in these 5 districts. In another words, there are only 5 districts (2.5%) in the state that aren't already receiving a basic entitlement for each middle school program. These districts would collectively gain \$0.54 million in general fund budget authority in FY 2014 and \$0.55 million in general fund budget authority in FY 2015 under SB 25.

Number of Middle or 7/8 Schools in District	Number of Districts	Total Number of Middle or 7/8 Schools	Increase in GF Budget Authority FY 2014	Increase in GF Budget Authority FY 2015
1	198	198	0	0
2	3	6	202,233	206,439
3	1	3	134,822	137,626
4	1	4	202,233	206,439
	203	211	539,288	550,504

By providing a basic entitlement for each high school program, 5 districts with more than one high school program will receive additional funding. There are 13 high schools in these 5 districts. In another words, there are only 5 districts (3%) in the state that aren't already receiving a basic entitlement for each high school program. These districts would collectively gain \$1.85 million in general fund budget authority in FY 2014 and \$1.89 million in general fund budget authority in FY 2015 under SB 25.

Note: Missoula County High School district has four high schools, but it already receives two basic entitlements for high school because Seeley Lake High School qualifies as a separate budget unit. Therefore, Missoula will only gain two basic entitlements under SB 42.

Number of High Schools in District	Number of Districts	Total Number of High Schools	Increase in GF Budget Authority FY 2014	Increase in GF Budget Authority FY 2015
1	155	155	0	0
2	3	6	793,674	810,183
3	1	3	529,116	540,122
4	1	4	529,116	540,122
	160	168	1,851,906	1,890,427

If the affected districts choose to adopt higher budgets as a result of SB 25, the cost of the budget increases will be shared by the state and local district taxpayers. The state covers the cost of direct state aid and guaranteed tax base aid. Local property taxpayers will carry the cost of any increases in the district general fund levies. The cost to the state for providing a basic entitlement to all accredited school programs is estimated to be \$3.32 million in FY 2014 and \$3.46 million in FY 2015.